

**Comments of Daniel Brudzynski
Vice President of Gas Sales and Supply, DTE Energy
Michigan House
Energy and Technology Committee
May 13, 2014**

Thank you Mr. Chair and esteemed committee members. My name is Daniel G Brudzynski; I am the Vice President of Gas Sales and Supply at DTE Gas. I am joined by Ms. Christine Cole, Manager of Residential Retail Sales, who has over three decades of gas experience. I have distributed slides to the committee that are meant as an aid to my comments today on this important piece of legislation.

Families and businesses that use heating sources other than natural gas have significantly higher bills. In fact, those who use propane spend up to 60% more on average. That trend is expected to continue for years to come. Natural gas remains a bright spot. We are seeing abundant supplies developed in our Midwest region and the long-term outlook is positive.

The difference in commodity prices between heating oil, propane and natural gas are dramatic. When we compare the cost trends of the past five years of natural gas and its closest heating fuel substitute propane, the cost differentials remain significantly visible. In fact, gas rates at DTE this past winter were actually lower than they were 10 years ago, and over 30% lower than back in 2008. So the logical question then becomes, where do we expect the trends to go from here? Forecasts say that natural gas costs will remain stable, while propane is expected to experience further upward inflationary pressure. We will see the gap continuing to grow.

Another consideration besides cost is the certainty of supply and the outlook on volatility. We saw this past winter how volatility in commodity markets can burden families and businesses. Michigan, however, has a unique geology that distinguishes us from other states. Michigan has a unique natural gas storage advantage over other states. The ability to store a significant amount of gas, ahead of when it's needed provides for flexible purchasing strategies and stability in supply. When coupled with the continuing growth of gas production in the U.S. and the extensive pipeline system across the country to move this resource, natural gas remains an abundant and available resource to consumers. Homes and businesses that access natural gas will see savings and more stable prices.

The savings that Michigan's families and businesses could see are real. The cost savings potential that those who gain access to natural gas could see over other heating fuels given projected cost differentials is significant. As you can see, on average, consumers that switch from propane could save more than \$2000 each year. This is a significant savings opportunity for homes and businesses. HB 5555 will serve as a key enabler to allow more Michiganders the ability to capture the cost savings of natural gas and contains provisions that bring economic benefits well into the future.

So how big is the opportunity in the state? Approximately one in five, or 22% of consumers are not using natural gas. Of that 22%, approximately 1/5 would represent the population where the conversion to natural gas is currently physically and financially feasible to switch. In absolute numbers, that would be 190,000 Michiganders.

The need for greater access to natural gas is not concentrated to one area. It affects families and businesses across the state. The legislations' promise has the potential to be shared across Michigan. DTE has identified several potential projects that could be served with the adoption of this legislation.

DTE is committed to delivering reliable and affordable service to our existing customers as demonstrated by our current infrastructure investment initiatives. This legislation is very similar to a program we have at DTE supported by the MPSC that finances our cast iron main renewal program targeting aging infrastructure. The infrastructural renewal work is geographically dispersed, while its oversight is conducted by the MPSC to ensure prudence and efficiency. Funding is also through a dedicated mechanism shared amongst the service territory across the state.

States across the US are recognizing the importance of access to natural gas and are taking measures to expand natural gas infrastructure.

In our own state, DTE has existing examples of similar programs that are working with our infrastructure renewal program, and through this policy design an incremental 190,000 customers will gain access to lower-cost natural gas and serve to finance the investment over time.

In closing, increasing access to natural gas through expansion of our infrastructure will provide a generational change through personal fuel savings, increased business investment, and access to a resource that will support the state's economic growth.

Thank you again for the opportunity to voice DTE Energy's support for this critical piece of legislation.